

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 IO-03 TRSE-00 AGR-03 SSO-00

NSC-05 NSCE-00 INR-05 INRE-00 L-01 SP-02 EA-06 ARA-06

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8154

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 02147

LIMDIS

FROM ENDERS

FOR MALMGREN, GENEVA

DEPARTMENT PASS AGRICULTURE AND TREASURY

E.O. 11652: GDS

TAGS: EAGR, AORG

SUBJ: GRAIN RESERVES NEGOTIATIONS: WHERE WE GO FROM HERE

1. AD HOC GRAIN RESERVES MEETING IN LONDON FEBRUARY 10, RESULTED IN UNEXPECTEDLY GOOD DISCUSSION OF SUBSTANTIVE ISSUES AND EXPECTEDLY INCONCLUSIVE DISCUSSION OF WHERE WE GO FROM HERE. EUROPEAN COMMUNITY, SOVIET UNION, AUSTRALIA, CANADA, ARGENTINA, JAPAN, INDIA, THAILAND, EGYPT, BRAZIL PRESENT.

2. SUBSTANTIVE DISCUSSION REGISTERED CONSENSUS ON THE BROAD PURPOSES OF FOOD SECURITY (PREVENTION OF SUPPLY DISRUPTIONS, OF UNDUE FINANCIAL HARDSHIP TO DEVELOPING COUNTRIES, AND OF ENFORCED CONSUMPTION CUTBACKS IN DEVELOPED AND DEVELOPING COUNTRIES). THERE WAS ALSO GENERAL AGREEMENT ON THE MAIN ELEMENTS TO BE CONSIDERED
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FOR AN AGREEMENT, E.G., DEFINITION ON OVERALL SIZE OF RESERVES, BURDEN SHARING, COMMODITY COVERAGE, GUIDE-

LINES OR RULES FOR BUILDING UP AND DRAWING DOWN STOCKS, PROVISIONS TO ENSURE COMPLIANCE AND PROVIDE PREFERENCE TO PARTICIPANTS, PRODUCTION AND TRADE MEASURES TO IMPLEMENT AND REINFORCE STOCK COMMITMENTS, ADMINISTRATIVE AND CONSULTATIVE PROCEDURES, AND SPECIAL CONSIDERATION FOR LDC NEEDS.

3. PROCEDURAL DISCUSSION SHOWED WIDE DIVERGENCE OF VIEWS. EUROPEAN COMMUNITY HELD TO ITS FORMAL POSITION THAT A GRAINS ARRANGEMENT MUST BE GLOBAL AND NEGOTIATED IN THE TOKYO ROUND; CANADA HESITATED BETWEEN ITS DESIRE TO PURSUE MARKET ACCESS IN GENEVA AND ITS HOPE FOR A GLOBAL AGREEMENT IN THE INTERNATIONAL WHEAT COUNCIL IN LONDON; AUSTRALIA WANTED TO GET STARTED IN LONDON AND PERHAPS GO TO GENEVA LATER; THE SOVIET UNION DID NOT WANT TO COMMIT TO ANY PROCEDURE.

4. NEXT STEPS AS SEEN FROM HERE WOULD BE AS FOLLOWS:

(A) AT ITS FEBRUARY 12-13 MEETING IWC MUST GIVE TERMS OF REFERENCE TO A PREPARATORY GROUP TO BEGIN WORK ON A NEW WHEAT AGREEMENT. AUSTRALIA WILL ATTEMPT TO GET THAT MANDATE BROADENED TO INCLUDE BOTH OF THE ELEMENTS NEEDED TO PREPARE FOR A GRAIN RESERVES AGREEMENT. MANY OF THE MEMBERS OF THE AD HOC GROUP WILL GO ALONG. EUROPEAN COMMUNITY AND USSR MAY ACQUIESCE.

(B) IF THE PLOY SUCCEEDS, WE SHOULD LET THE PREPARATORY GROUP WORK UNTIL END MARCH, THEN TRY TO GET A FORMAL NEGOTIATING MANDATE AGREED.

(C) IF NOT, WE HAVE THE OPTION OF COMING BACK TO LONDON AND HAVING A SECOND AD HOC RESERVES MEETING IN LONDON IN MARCH. COMMUNITY REPRESENTATIVE MALVE

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INDICATED THAT HE COULD CONTEMPLATE SUCH A MEETING.
THIS MAY ALSO BE THE BEST WAY TO KEEP THE SOVIETS
INVOLVED.

(D) IN EITHER CASE, WE MUST NOW AVOID DECISION TO
CREATE A GRAINS COMMITTEE TO NEGOTIATE THE TRADE ASPECTS
OF GRAINS IN THE TOKYO ROUND. EC MAY PUSH FOR THIS,
WITH CANADIAN ACQUIESCENCE OR SUPPORT. SUCH A COMMITTEE
WOULD MAKE IT POSSIBLE FOR THE COMMUNITY TO WHIPSAW
US BETWEEN LONDON AND GENEVA AND EFFECTIVELY PUT OFF
ACTION FOR NEXT SEVERAL YEARS.

5. AT SOME, RELATIVELY EARLY, STAGE IT MAY BE NECESSARY
TO COME TO AGREEMENT WITH THE COMMUNITY ON LINK BETWEEN
LONDON DISCUSSIONS, HOWEVER THEY ARE STRUCTURED, AND
THE MTNS. FORMULA THAT MALVE (EC) IS PRIVATELY
CONSIDERING INVOLVES PREPARING AND POSSIBLY NEGOTIATING
A "GLOBAL AGREEMENT" ON GRAINS IN LONDON, WITH
"ACCOUNTANCY" OF THIS AGREEMENT IN THE MTNS. SUCH A
FORMULA MIGHT ALSO BE SATISFACTORY TO US.

6. COMMENT. ON POLITICAL GROUNDS, IT WILL BE HARD FOR
THE EUROPEAN COMMUNITY TO REFUSE TO MEET IN LONDON ON
FOOD SECURITY. (WE CAN ALWAYS SAY THAT WFC RESOLUTION
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CALLED FOR NEGOTIATION OF FOOD SECURITY; NOT RICH
COUNTRY TRADE INTERESTS). MALVE, AT ANY RATE KNOWS THIS,
AND WE SHOULD USE IT TO KEEP UP THE PRESSURE.

7. ACTION WASHINGTON: REQUEST YOU CONFIRM TO GENEVA
OUR UNWILLINGNESS TO ACCEPT FORMATION OF AN MTN GRAINS
COMMITTEE.

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